



TOWNSHIP OF WORTH
Sanilac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Worth	County Sanilac
Audit Date March 31, 2005	Opinion Date September 21, 2005	Date Accountant Report Submitted to State: September 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF WORTH
Sanilac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

September 21, 2005

To the Township Board
Township of Worth
Sanilac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Worth, Sanilac County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Worth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Worth, Sanilac County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF WORTH
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FINANCIAL HIGHLIGHTS

Worth Township's financial status remained stable over the last year. On March 31, 2005, net assets for governmental activities totaled \$3,943,397.51. Overall total capital assets remained approximately the same.

Overall revenues were \$1,589,262.04 from governmental activities. Governmental activities had a \$29,061.93 decrease in net assets with state revenue sharing totaling \$273,582.18.

Taxable value for 4,312 parcels in 2004 totaled \$138,009,530.00.

Worth Township did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General, Liquor Enforcement, Public Improvement and Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

TOWNSHIP OF WORTH
Sanilac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Liquor Enforcement, Public Improvement and Building Department, Street Lighting, Trash Collection, Debt Service and Capital Projects Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains strong.

The LWTUA Water System Bonds, Series 1998 and due to be expired in 2018 totaled an interest payable for the fiscal year of \$28,698.82 and bond payable of \$27,440.00.

The LWTUA Water System Improvement Project series 2000a and due to be expired in 2020 totaled an interest payable for the fiscal year of \$456,834.01 and bond payable of \$475,000.00.

The Capital Improvement Bond for the Township Hall established in 2002 and due to be expired in 2017 totaled an interest payable for the fiscal year of \$17,193.75 and a bond payable of \$15,000.00.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$431,381.14.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,435.13 in capital assets.

The Township's governmental activities paid \$517,440.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 58% of our income totaling \$265,355.00 in the General Fund. We continue to grow at a 5% rate in taxable values with an average demand on the existing water utility but increasing pressure for sanitary solutions or alternatives. An issue of importance is placed on maintenance of all gravel roads throughout the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Clerk, or Treasurer at P.O. Box 248, Lexington, Michigan 48450, or by calling 810-359-8852 during the hours of 9:00 a.m. and 4:00 p.m. Monday through Thursday.

TOWNSHIP OF WORTH
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	3 603 195 03
Investments	23 669 11
Taxes receivable	16 946 09
Accounts receivable	12 678 75
Special assessments receivable	<u>5 387 755 01</u>
Total Current Assets	<u>9 044 243 99</u>
NON-CURRENT ASSETS:	
Capital Assets	10 596 261 00
Less: Accumulated Depreciation	<u>(1 757 824 00)</u>
Total Non-current Assets	<u>8 838 437 00</u>
TOTAL ASSETS	<u>17 882 680 99</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>5 279 323 48</u>
Total Current Liabilities	<u>5 279 323 48</u>
NON-CURRENT LIABILITIES:	
Bonds payable	320 000 00
Contracts payable	<u>8 339 960 00</u>
Total Non-current Liabilities	<u>8 659 960 00</u>
Total Liabilities	<u>13 939 283 48</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	178 477 00
Restricted for debt service	3 026 899 95
Unrestricted	<u>738 020 56</u>
Total Net Assets	<u>3 943 397 51</u>
TOTAL LIABILITIES AND NET ASSETS	<u>17 882 680 99</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	
FUNCTIONS/PROGRAMS		
Governmental Activities:		
Legislative	49 610 39	-
General government	186 612 60	66 545 08
Public safety	197 731 61	77 218 52
Public works	680 905 40	568 046 48
Interest on long-term debt	503 463 97	467 682 45
	<u>1 618 323 97</u>	<u>1 179 492 53</u>
Total Governmental Activities		(438 831 44)
General Revenues:		
Property taxes		93 782 84
State revenue sharing		273 582 18
Interest		37 818 57
Miscellaneous		4 585 92
Total General Revenues		409 769 51
Change in net assets		(29 061 93)
Net assets, beginning of year		3 972 459 44
Net Assets, End of Year		<u>3 943 397 51</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	239 054 37	2 881 843 54	481 338 70	3 602 236 61
Investments	-	23 669 11	-	23 669 11
Taxes receivable	16 946 09	-	-	16 946 09
Accounts receivable	12 678 75	-	-	12 678 75
Special assessments receivable	-	5 079 908 30	307 846 71	5 387 755 01
Due from other funds	958 42	-	30 009 08	30 967 50
Total Assets	<u>269 637 63</u>	<u>7 985 420 95</u>	<u>819 194 49</u>	<u>9 074 253 07</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	30 009 08	30 009 08
Deferred revenue	-	4 977 435 07	301 888 41	5 279 323 48
Total liabilities	<u>-</u>	<u>4 977 435 07</u>	<u>331 897 49</u>	<u>5 309 332 56</u>
Fund equity:				
Fund balances:				
Reserved	-	3 007 985 88	18 914 07	3 026 899 95
Unreserved:				
Undesignated	269 637 63	-	468 382 93	738 020 56
Total fund equity	<u>269 637 63</u>	<u>3 007 985 88</u>	<u>487 297 00</u>	<u>3 764 920 51</u>
Total Liabilities and Fund Equity	<u>269 637 63</u>	<u>7 985 420 95</u>	<u>819 194 49</u>	<u>9 074 253 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	3 764 920 51
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	10 596 261 00
Accumulated depreciation	(1 757 824 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(320 000 00)
Contracts payable	<u>(8 339 960 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>3 943 397 51</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:				
Property taxes	93 782 84	-	-	93 782 84
Licenses and permits	17 869 52	-	59 086 00	76 955 52
State revenue sharing	265 355 00	-	8 227 18	273 582 18
Charges for services - PTAF	48 675 56	-	-	48 675 56
Charges for services - other	18 132 52	-	-	18 132 52
Interest	5 730 20	27 572 36	4 516 01	37 818 57
Special assessments	20 077 85	937 928 70	77 722 38	1 035 728 93
Miscellaneous	4 585 92	-	-	4 585 92
Total revenues	<u>474 209 41</u>	<u>965 501 06</u>	<u>149 551 57</u>	<u>1 589 262 04</u>
Expenditures:				
Legislative:				
Township Board	49 610 39	-	-	49 610 39
General government:				
Supervisor	10 455 60	-	-	10 455 60
Elections	4 688 60	-	-	4 688 60
Assessor	49 387 18	-	-	49 387 18
Clerk	21 098 70	-	-	21 098 70
Board of Review	2 643 73	-	-	2 643 73
Treasurer	48 451 77	-	-	48 451 77
Building and grounds	16 150 02	-	-	16 150 02
Cemetery	200 00	-	-	200 00
Public safety:				
Law enforcement	46 744 56	-	-	46 744 56
Liquor control	-	-	1 800 00	1 800 00
Fire protection	48 149 15	-	-	48 149 15
Protective inspection	-	-	57 849 51	57 849 51
Planning and zoning	26 099 15	-	-	26 099 15
Ambulance	17 089 24	-	-	17 089 24
Public works:				
Highways and streets	60 764 98	-	18 883 33	79 648 31
Street lights	9 785 24	-	7 577 37	17 362 61
Sanitation	-	-	14 629 95	14 629 95
Weed control	17 627 70	-	-	17 627 70
Watershed	-	-	15 890 44	15 890 44
Sewer	-	-	33 306 39	33 306 39
Capital outlay	2 435 13	-	-	2 435 13
Debt service	-	932 365 60	88 538 37	1 020 903 97
Total expenditures	<u>431 381 14</u>	<u>932 365 60</u>	<u>238 475 36</u>	<u>1 602 222 10</u>
Excess (deficiency) of revenues over expenditures	<u>42 828 27</u>	<u>33 135 46</u>	<u>(88 923 79)</u>	<u>(12 960 06)</u>
Other financing sources (uses):				
Operating transfers in	-	-	125 892 57	125 892 57
Operating transfers out	(97 193 75)	-	(28 698 82)	(125 892 57)
Total other financing sources (uses)	<u>(97 193 75)</u>	<u>-</u>	<u>97 193 75</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Water #2 Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(54 365 48)	33 135 46	8 269 96	(12 960 06)
Fund balances, April 1	<u>324 003 11</u>	<u>2 974 850 42</u>	<u>479 027 04</u>	<u>3 777 880 57</u>
Fund Balances, March 31	<u>269 637 63</u>	<u>3 007 985 88</u>	<u>487 297 00</u>	<u>3 764 920 51</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (12 960 06)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(535 977 00)
Capital Outlay	2 435 13

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>517 440 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(29 061 93)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Worth, Sanilac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Worth. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Townships of Lexington and Worth jointly formed the Lexington – Worth Township's Utilities Authority on April 3, 1997, to provide water services for the two entities. The joint venture of the Township is not considered a part of the reporting entity of the Township. The Authority is separately audited by other auditors. Separate financial statements of the joint venture should be obtained directly from the Authority at 7227 Huron Avenue in Lexington, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for acquisition or construction of major capital facilities other than those financed by proprietary fund expenditures.

Debt Service Funds

These funds are used to record the funding of principal and interest on long-term debt.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was .6858 mills, and the taxable value was \$139,465,596.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$150.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20 years
Equipment	2-10 years
Water System	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$8,838,437.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>3 610 327 03</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	400 000 00
Uninsured and Uncollateralized	<u>3 217 105 16</u>
Total Deposits	<u>3 617 105 16</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>23 669 11</u>
Total Investments				<u>23 669 11</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	500 00	-	-	500 00
Buildings	585 000 00	-	-	585 000 00
Equipment	76 745 87	2 435 13	-	79 181 00
Water system	<u>9 931 580 00</u>	<u>-</u>	<u>-</u>	<u>9 931 580 00</u>
Total	10 593 825 87	2 435 13	-	10 596 261 00
Accumulated Depreciation	<u>(1 221 847 00)</u>	<u>(535 977 00)</u>	<u>-</u>	<u>(1 757 824 00)</u>
Net Capital Assets	<u>9 371 978 87</u>	<u>(533 541 87)</u>	<u>-</u>	<u>8 838 437 00</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	958 42	Current Tax Collection	958 42
Water #1 Construction	<u>30 009 08</u>	Water #1 Debt Service	<u>30 009 08</u>
Total	<u>30 967 50</u>	Total	<u>30 967 50</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 6 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$59,086.00 and building permit expenses of \$57,849.51.

Note 7 – Changes in Long-Term Debt

The following is a summary of changes in long-term debt:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Hall bonds payable – 2002	335 000 00	-	15 000 00	320 000 00
Contract payable – 2001	850 000 00	-	50 000 00	800 000 00
Contract payable – 2000	7 375 000 00	-	425 000 00	6 950 000 00
Contract payable – 1998	<u>617 400 00</u>	<u>-</u>	<u>27 440 00</u>	<u>589 960 00</u>
Total	<u>9 177 400 00</u>	<u>-</u>	<u>517 440 00</u>	<u>8 659 960 00</u>

Note 8 – Hall Bonds Payable – 2002

On August 29, 2002, the Township of Worth sold its bonds in the amount of \$350,000.00 to fund the construction of the new Township Hall. As of March 31, 2005, the outstanding principal balance on the bonds were \$320,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
6-1-05	20 000 00
6-1-06	20 000 00
6-1-07	20 000 00
6-1-08	20 000 00
6-1-09	20 000 00
6-1-10	25 000 00
6-1-11	25 000 00
6-1-12	25 000 00
6-1-13	25 000 00
6-1-14	30 000 00
6-1-15	30 000 00
6-1-16	30 000 00
6-1-17	<u>30 000 00</u>
Total	<u>320 000 00</u>

Note 9 – Contract Payable - 2001

On December 1, 2001, the County of Sanilac sold its bonds in the amount of \$950,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2001. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2005, the outstanding principal balance on the contract payable was \$800,000.00.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Contract Payable – 2001 (continued)

<u>Due Date</u>	<u>Principal Amount</u>
5-1-05	50 000 00
5-1-06	50 000 00
5-1-07	50 000 00
5-1-08	50 000 00
5-1-09	50 000 00
5-1-10	50 000 00
5-1-11	50 000 00
5-1-12	50 000 00
5-1-13	50 000 00
5-1-14	50 000 00
5-1-15	50 000 00
5-1-16	50 000 00
5-1-17	50 000 00
5-1-18	50 000 00
5-1-19	50 000 00
5-1-20	50 000 00
Total	<u>800 000 00</u>

Note 10 – Contract Payable – 2000

On June 1, 2000, the County of Sanilac sold its bonds in the amount of \$8,225,000.00 to fund the Sanilac County Water System Improvement Project Phase II Series 2000. The Township of Worth has agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Township has pledged its full faith and credit to secure the payments to the County. As of March 31, 2005, the outstanding principal balance on the contract payable was \$6,950,000.00.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-05	425 000 00
5-1-06	425 000 00
5-1-07	425 000 00
5-1-08	425 000 00
5-1-09	425 000 00
5-1-10	425 000 00
5-1-11	425 000 00
5-1-12	425 000 00
5-1-13	425 000 00
5-1-14	425 000 00
5-1-15	450 000 00
5-1-16	450 000 00
5-1-17	450 000 00
5-1-18	450 000 00
5-1-19	450 000 00
5-1-20	450 000 00
Total	<u>6 950 000 00</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 11 – Contract Payable – 1998

On December 9, 1998, the County of Sanilac sold its bonds in the amount of \$1,030,000.00, to fund the Sanilac County Water System Improvement Project. The Township of Worth is responsible for 68.6% of the project which amounted to \$706,580.00 and the Township of Lexington is responsible for 31.4% of the project, which amounted to \$323,420.00. The Townships have agreed to pay amounts to the County to cover the bond principal and interest payments as they come due. The Townships have pledged their full faith and credit to secure the payments to the County. As of March 31, 2005, Worth Township's outstanding principal balance on the contract payable was \$589,960.00.

<u>Due Date</u>	<u>Principal Amount</u>
5-1-05	30 870 00
5-1-06	30 870 00
5-1-07	34 300 00
5-1-08	34 300 00
5-1-09	37 730 00
5-1-10	41 160 00
5-1-11	41 160 00
5-1-12	44 590 00
5-1-13	44 590 00
5-1-14	48 020 00
5-1-15	48 020 00
5-1-16	51 450 00
5-1-17	51 450 00
5-1-18	51 450 00
Total	<u>589 960 00</u>

Note 12 – Pension Plan

The Township does not have a pension plan.

Note 13 – Deferred Compensation Plan

The Township has a deferred compensation plan. All Township employees are covered under the plan except for the Assessor. Deferred compensation expense for the year ended March 31, 2005, was \$2,917.71.

Note 14 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF WORTH
Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 15 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Water #1 Debt Service	28 698 82	Water #1 Construction	28 698 82
Hall Bond Debt Service	32 193 75	General	32 193 75
Public Improvement	<u>65 000 00</u>	General	<u>65 000 00</u>
Total	<u>125 892 57</u>	Total	<u>125 892 57</u>

Note 16 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Treasurer	46 543 64	48 451 77	1 908 13
Weed control	15 000 00	17 627 70	2 627 70

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	88 090 00	88 090 00	93 782 84	5 692 84
Licenses and permits	11 915 00	11 915 00	17 869 52	5 954 52
State revenue sharing	250 000 00	250 000 00	265 355 00	15 355 00
Charges for services – PTAF	33 571 00	44 429 00	48 675 56	4 246 56
Charges for services – other	30 000 00	30 000 00	18 132 52	(11 867 48)
Interest	5 000 00	5 000 00	5 730 20	730 20
Special assessments	18 390 00	18 390 00	20 077 85	1 687 85
Miscellaneous	7 145 00	7 145 00	4 585 92	(2 559 08)
Total revenues	444 111 00	454 969 00	474 209 41	19 240 41
Expenditures:				
Legislative:				
Township Board	59 180 00	59 180 00	49 610 39	(9 569 61)
General government:				
Supervisor	11 100 00	11 100 00	10 455 60	(644 40)
Elections	5 100 00	5 100 00	4 688 60	(411 40)
Assessor	49 100 00	49 387 18	49 387 18	-
Clerk	22 484 00	22 484 00	21 098 70	(1 385 30)
Board of Review	2 900 00	2 900 00	2 643 73	(256 27)
Treasurer	40 000 00	46 543 64	48 451 77	1 908 13
Building and grounds	17 600 00	17 600 00	16 150 02	(1 449 98)
Cemetery	1 200 00	1 200 00	200 00	(1 000 00)
Public safety:				
Law enforcement	49 000 00	49 000 00	46 744 56	(2 255 44)
Fire protection	60 000 00	60 000 00	48 149 15	(11 850 85)
Planning and zoning	33 500 00	33 500 00	26 099 15	(7 400 85)
Ambulance	17 100 00	17 100 00	17 089 24	(10 76)
Public works:				
Highways and streets	100 000 00	100 000 00	60 764 98	(39 235 02)
Street lights	10 500 00	10 500 00	9 785 24	(714 76)
Weed control	15 000 00	15 000 00	17 627 70	2 627 70
Contingency	30 000 00	23 169 18	-	(23 169 18)
Capital outlay	10 000 00	10 000 00	2 435 13	(7 564 87)
Total expenditures	533 764 00	533 764 00	431 381 14	(102 382 86)
Excess (deficiency) of revenues over expenditures	(89 653 00)	(78 795 00)	42 828 27	121 623 27
Other financing sources (uses):				
Operating transfers out	(82 194 00)	(82 194 00)	(97 193 75)	(14 999 75)
Total other financing sources (uses)	(82 194 00)	(82 194 00)	(97 193 75)	(14 999 75)

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(171 847 00)	(160 989 00)	(54 365 48)	106 623 52
Fund balance, April 1	<u>278 983 00</u>	<u>278 983 00</u>	<u>324 003 11</u>	<u>45 020 11</u>
Fund Balance, March 31	<u><u>107 136 00</u></u>	<u><u>117 994 00</u></u>	<u><u>269 637 63</u></u>	<u><u>151 643 63</u></u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

BUDGETARY COMPARISON SCHEDULE – WATER #2 DEBT SERVICE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	20 000 00	20 000 00	27 572 36	7 572 36
Special assessments	<u>1 055 000 00</u>	<u>1 055 000 00</u>	<u>937 928 70</u>	<u>(117 071 30)</u>
Total revenues	<u>1 075 000 00</u>	<u>1 075 000 00</u>	<u>965 501 06</u>	<u>(109 498 94)</u>
Expenditures:				
Debt service	<u>932 484 00</u>	<u>932 484 00</u>	<u>932 365 60</u>	<u>(118 40)</u>
Total expenditures	<u>932 484 00</u>	<u>932 484 00</u>	<u>932 365 60</u>	<u>(118 40)</u>
Excess (deficiency) of revenues over expenditures	142 516 00	142 516 00	33 135 46	(109 380 54)
Fund balance, April 1	<u>2 794 427 00</u>	<u>2 794 427 00</u>	<u>2 974 850 42</u>	<u>180 423 42</u>
Fund Balance, March 31	<u>2 936 943 00</u>	<u>2 936 943 00</u>	<u>3 007 985 88</u>	<u>71 042 88</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2005

	<u>Public Improvement</u>	<u>Liquor Law Enforcement</u>	<u>Great Lakes Shores</u>	<u>Birch Beach</u>
<u>Assets</u>				
Cash in bank	155 804 05	1 034 01	16 579 58	3 430 21
Special assessments receivable	-	-	2 338 85	270 24
Total Assets	<u>155 804 05</u>	<u>1 034 01</u>	<u>18 918 43</u>	<u>3 700 45</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>155 804 05</u>	<u>1 034 01</u>	<u>18 918 43</u>	<u>3 700 45</u>
Total Fund Balances	<u>155 804 05</u>	<u>1 034 01</u>	<u>18 918 43</u>	<u>3 700 45</u>

<u>Lexington Heights</u>	<u>Eden Beach</u>	<u>Supervisor's Emigh Road Plat</u>	<u>District #7</u>	<u>Building</u>	<u>Total</u>
2 515 55	645 01	627 29	187 60	27 644 51	208 467 81
<u>437 99</u>	<u>90 51</u>	<u>6 50</u>	<u>-</u>	<u>-</u>	<u>3 144 09</u>
<u>2 953 54</u>	<u>735 52</u>	<u>633 79</u>	<u>187 60</u>	<u>27 644 51</u>	<u>211 611 90</u>
<u>2 953 54</u>	<u>735 52</u>	<u>633 79</u>	<u>187 60</u>	<u>27 644 51</u>	<u>211 611 90</u>
<u>2 953 54</u>	<u>735 52</u>	<u>633 79</u>	<u>187 60</u>	<u>27 644 51</u>	<u>211 611 90</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Public Improvement</u>	<u>Liquor Law Enforcement</u>	<u>Great Lakes Shores</u>	<u>Birch Beach</u>
Revenues:				
Special assessments	-	-	18 539 24	3 442 84
Licenses and permits	-	-	-	-
State revenue sharing	5 814 88	2 412 30	-	-
Interest	<u>1 525 59</u>	<u>6 37</u>	<u>66 46</u>	<u>14 59</u>
Total revenues	<u>7 340 47</u>	<u>2 418 67</u>	<u>18 605 70</u>	<u>3 457 43</u>
Expenditures:				
Public safety:				
Liquor law enforcement	-	1 800 00	-	-
Inspections	-	-	-	-
Public works:				
Highways and streets	18 883 33	-	-	-
Watershed	15 890 44	-	-	-
Sewer	33 306 39	-	-	-
Street lighting	-	-	1 069 72	2 914 34
Sanitation	<u>-</u>	<u>-</u>	<u>14 629 95</u>	<u>-</u>
Total expenditures	<u>68 080 16</u>	<u>1 800 00</u>	<u>15 699 67</u>	<u>2 914 34</u>
Excess (deficiency) of revenues over expenditures	<u>(60 739 69)</u>	<u>618 67</u>	<u>2 906 03</u>	<u>543 09</u>
Other financing sources (uses):				
Operating transfers in	<u>65 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>65 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	4 260 31	618 67	2 906 03	543 09
Fund balances, April 1	<u>151 543 74</u>	<u>415 34</u>	<u>16 012 40</u>	<u>3 157 36</u>
Fund Balances, March 31	<u>155 804 05</u>	<u>1 034 01</u>	<u>18 918 43</u>	<u>3 700 45</u>

<u>Lexington Heights</u>	<u>Eden Beach</u>	<u>Supervisor's Emigh Road Plat</u>	<u>District #7</u>	<u>Building</u>	<u>Total</u>
2 842 55	684 00	494 76	152 67	-	26 156 06
-	-	-	-	59 086 00	59 086 00
-	-	-	-	-	8 227 18
<u>10 84</u>	<u>2 79</u>	<u>3 51</u>	<u>99</u>	<u>310 82</u>	<u>1 941 96</u>
<u>2 853 39</u>	<u>686 79</u>	<u>498 27</u>	<u>153 66</u>	<u>59 396 82</u>	<u>95 411 20</u>
-	-	-	-	-	1 800 00
-	-	-	-	57 849 51	57 849 51
-	-	-	-	-	18 883 33
-	-	-	-	-	15 890 44
-	-	-	-	-	33 306 39
2 317 17	596 09	517 58	162 47	-	7 577 37
-	-	-	-	-	14 629 95
<u>2 317 17</u>	<u>596 09</u>	<u>517 58</u>	<u>162 47</u>	<u>57 849 51</u>	<u>149 936 99</u>
<u>536 22</u>	<u>90 70</u>	<u>(19 31)</u>	<u>(8 81)</u>	<u>1 547 31</u>	<u>(54 525 79)</u>
-	-	-	-	-	65 000 00
-	-	-	-	-	65 000 00
536 22	90 70	(19 31)	(8 81)	1 547 31	10 474 21
<u>2 417 32</u>	<u>644 82</u>	<u>653 10</u>	<u>196 41</u>	<u>26 097 20</u>	<u>201 137 69</u>
<u>2 953 54</u>	<u>735 52</u>	<u>633 79</u>	<u>187 60</u>	<u>27 644 51</u>	<u>211 611 90</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL DEBT SERVICE FUNDS
March 31, 2005

	<u>Hall Bond Debt Service</u>	<u>Water #1 Debt Service</u>	<u>Water #2 Debt Service</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	-	47 581 04	2 881 843 54	2 929 424 58
Investments	-	-	23 669 11	23 669 11
Special assessments receivable	-	168 409 29	5 079 908 30	5 248 317 59
Total Assets	-	215 990 33	7 985 420 95	8 201 411 28
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Due to other funds	-	30 009 08	-	30 009 08
Deferred revenue	-	167 067 18	4 977 435 07	5 144 502 25
Total liabilities	-	197 076 26	4 977 435 07	5 174 511 33
Fund balances:				
Reserved for debt service	-	18 914 07	3 007 985 88	3 026 899 95
Total fund balances	-	18 914 07	3 007 985 88	3 026 899 95
Total Liabilities and Fund Balances	-	215 990 33	7 985 420 95	8 201 411 28

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL DEBT SERVICE FUNDS
Year ended March 31, 2005

	<u>Hall Bond Debt Service</u>	<u>Water #1 Debt Service</u>	<u>Water #2 Debt Service</u>	<u>Total</u>
Revenues:				
Special assessments	-	29 006 79	937 928 70	966 935 49
Interest	-	190 94	27 572 36	27 763 30
Total revenues	-	29 197 73	965 501 06	994 698 79
Expenditures:				
Debt service	32 193 75	56 344 62	932 365 60	1 020 903 97
Total expenditures	32 193 75	56 344 62	932 365 60	1 020 903 97
Excess (deficiency) of revenues over expenditures	(32 193 75)	(27 146 89)	33 135 46	(26 205 18)
Other financing sources (uses):				
Operating transfers in	32 193 75	28 698 82	-	60 892 57
Total other financing sources (uses)	32 193 75	28 698 82	-	60 892 57
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	1 551 93	33 135 46	34 687 39
Fund balances, April 1	-	17 362 14	2 974 850 42	2 992 212 56
Fund Balances, March 31	-	18 914 07	3 007 985 88	3 026 899 95

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS
March 31, 2005

	<u>Water #1</u> <u>Construction</u>	<u>Water #2</u> <u>Construction</u>	<u>Improvement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	138 334 96	67 483 95	19 470 94	225 289 85
Special assessments receivable	110 501 52	25 791 81	-	136 293 33
Due from other funds	30 009 08	-	-	30 009 08
Total Assets	<u>278 845 56</u>	<u>93 275 76</u>	<u>19 470 94</u>	<u>391 592 26</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred revenue	109 621 23	25 200 00	-	134 821 23
Total liabilities	<u>109 621 23</u>	<u>25 200 00</u>	<u>-</u>	<u>134 821 23</u>
Fund balances:				
Undesignated	169 224 33	68 075 76	19 470 94	256 771 03
Total fund balances	<u>169 224 33</u>	<u>68 075 76</u>	<u>19 470 94</u>	<u>256 771 03</u>
Total Liabilities and Fund Balances	<u>278 845 56</u>	<u>93 275 76</u>	<u>19 470 94</u>	<u>391 592 26</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – ALL CAPITAL PROJECTS FUNDS
Year ended March 31, 2005

	<u>Water #1 Construction</u>	<u>Water #2 Construction</u>	<u>Improvement</u>	<u>Total</u>
Revenues:				
Special assessments	19 008 67	3 550 86	-	22 559 53
Interest	<u>1 539 78</u>	<u>698 86</u>	<u>144 47</u>	<u>2 383 11</u>
Total revenues	<u>20 548 45</u>	<u>4 249 72</u>	<u>144 47</u>	<u>24 942 64</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>20 548 45</u>	<u>4 249 72</u>	<u>144 47</u>	<u>24 942 64</u>
Other financing sources (uses):				
Operating transfers out	<u>(28 698 82)</u>	<u>-</u>	<u>-</u>	<u>(28 698 82)</u>
Total other financing sources (uses)	<u>(28 698 82)</u>	<u>-</u>	<u>-</u>	<u>(28 698 82)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(8 150 37)</u>	<u>4 249 72</u>	<u>144 47</u>	<u>(3 756 18)</u>
Fund balances, April 1	<u>177 374 70</u>	<u>63 826 04</u>	<u>19 326 47</u>	<u>260 527 21</u>
Fund Balances, March 31	<u><u>169 224 33</u></u>	<u><u>68 075 76</u></u>	<u><u>19 470 94</u></u>	<u><u>256 771 03</u></u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>679 92</u>	<u>4 225 096 09</u>	<u>4 224 817 59</u>	<u>958 42</u>
<u>Liabilities</u>				
Due to other funds	679 92	808 032 29	807 753 79	958 42
Due to others	<u>-</u>	<u>3 417 063 80</u>	<u>3 417 063 80</u>	<u>-</u>
Total Liabilities	<u>679 92</u>	<u>4 225 096 09</u>	<u>4 224 817 59</u>	<u>958 42</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>6 432 00</u>	<u>5 900 00</u>	<u>5 200 00</u>	<u>7 132 00</u>
<u>Liabilities</u>				
Due to Others	<u>6 432 00</u>	<u>5 900 00</u>	<u>5 200 00</u>	<u>7 132 00</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>7 111 92</u>	<u>4 230 996 09</u>	<u>4 230 017 59</u>	<u>8 090 42</u>
<u>Liabilities</u>				
Due to other funds	679 92	808 032 29	807 753 79	958 42
Due to others	<u>6 432 00</u>	<u>3 422 963 80</u>	<u>3 422 263 80</u>	<u>7 132 00</u>
Total Liabilities	<u>7 111 92</u>	<u>4 230 996 09</u>	<u>4 230 017 59</u>	<u>8 090 42</u>

TOWNSHIP OF WORTH
Sanilac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>679 92</u>
Cash receipts:	
Property taxes	4 221 380 57
Interest	<u>3 715 52</u>
Total cash receipts	<u>4 225 096 09</u>
Total beginning balance and cash receipts	<u>4 225 776 01</u>
Cash disbursements:	
Township General Fund	151 064 53
Township Special Revenue Funds	23 011 96
Township Water #1 Debt Service Fund	21 899 94
Township Water #2 Debt Service Fund	593 771 82
Township Water #1 Construction Fund	14 537 10
Township Water #2 Construction Fund	2 959 05
Sanilac County	1 753 605 66
Sanilac County Intermediate School District	348 513 45
State of Michigan	22 266 96
Croswell-Lexington School District	1 275 272 06
Refunds	<u>17 915 06</u>
Total cash disbursements	<u>4 224 817 59</u>
Cash in Bank – End of Year	<u>958 42</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 21, 2005

To the Township Board
Township of Worth
Sanilac County, Michigan

We have audited the financial statements of the Township of Worth for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Worth in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Worth
Sanilac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Worth began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Worth
Sanilac County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants